



STATE OF WASHINGTON

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To the Honorable President and Members,
The Senate of the State of Washington

Ladies and Gentlemen:

I am returning, without my approval, Substitute Senate Bill No. 6369 entitled:

"AN ACT Relating to excise tax exemptions for water services provided by small water systems."

This SEHB No. 6369 exempts water-sewer, irrigation, and public utility districts that provide water services to small customer bases from the public utility tax and business and occupation tax as long as at least 90 percent of the value of the tax exemptions would be used to repair, equip, upgrade, or maintain the system.

This bill provides inadequate accountability to the state's taxpayers. The tax exemptions are not limited by sunsets. Only one study of the effectiveness of the tax exemptions, due in 2010, will be made. After that, the tax exemptions will continue on in perpetuity without scrutiny.

In addition, the legislation's self-stated goal, of providing assistance to small public water systems that are in most need, would be more efficiently met through a grant program. Through a grant program, pressing needs can be met first and all needs can actually be assessed. A grant program could also help those small water systems that are already exempt from the state's business and occupation tax and public utility tax as well. As Governor, I think part of my duty is to meet the needs in the most efficient way possible.

For these reasons, I have vetoed Second Engrossed House Bill No. 6369 in its entirety.

Respectfully submitted,

Christine O. Gregoire
Governor